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INTERNATIONAL NEWS

Can Biden pick up the pieces of global trade after Trump's grueling tariff wars?

When President-elect Joe Biden takes over the White House in January, he will face a global economy that has fundamentally shifted over the last four years in part because of President Donald Trump's grueling trade war with China. But while Biden's rhetoric about Beijing appears cool, retailers who have been hammered by import tariffs aren't expecting a sea change in policy.

"I think President Biden is going to be tough on China — but maybe a different kind of tough," said Stephen Lamar, CEO of the American Apparel & Footwear Association, an industry trade group. "We think the administration is going to be more predictable and less chaotic than what we've seen over the last four years."

Trump made being tough on China a cornerstone of his foreign policy, accusing the country of intellectual property theft and currency manipulation to gain an unfair competitive advantage in international trade, while issuing tit-for-tat trade rhetoric over Twitter. As the administration rolled out four tariff tranches on aluminum, steel and household goods to pursue "America first" production policies, retailers scrambled to reconfigure their supply chains and export manufacturing to countries outside China.

The toymaker Hasbro said last year that the amount of goods it produced in China could drop to about 50 percent by the end of this year as a result of tariffs. Williams-Sonoma and PVH Corp., which owns brands such as Van Heusen, Tommy Hilfiger and Calvin Klein, both said they would dramatically reduce their share of China-sourced goods by 2020. Abercrombie & Fitch said it planned to reduce its Chinese imports by 40 percent by the end of 2019. The companies moved a majority of their manufacturing to countries such as Vietnam, India and Mexico, with a smaller share moving to the U.S. to mitigate tariff costs.

"This year [sourcing] will be around 50 percent out of China," Hasbro CEO Brian Goldner told investors in June. About 20 percent of revenue in the U.S. comes from U.S.-made products, while the remaining products are made in India, Vietnam, Ireland and other markets around the world, he said.

Hasbro is "continuing to look at just what's the right size for the China footprint as we continue to look at global demand and global sourcing," he said.

But whereas Trump's "go it alone" strategy to decrease the country's dependence on China resulted in chaos, Biden's "Made in America" plan leans on multilateral alliances to bring critical supply chains back to the U.S. He promises to invest $400 billion in procurement measures to boost domestic manufacturing and to pour $300 billion into research and development.

Biden won't rule out new tariffs, but he would likely "use tariffs when they're needed but backed by a strategy and a plan," Tony Blinken, a former Obama adviser — who is being touted as a possible secretary of state in the new administration — said in September.

After years of uncertainty, and still under the grip of an economy thrashed by a global pandemic, retailers welcomed the stability that might come with a Biden administration's cooling trade tensions internationally. And after two years of overhauling their supply chains, it is that unlikely retailers would welcome another dramatic move.

"Everyone in retail, and frankly most of the U.S. economy, including farmers and exporters and manufacturing, will benefit from a de-escalation of trade tensions around the world," said David French, senior vice president of government relations for the National Retail Federation, a retail industry trade group.

Box CEO Aaron Levie tweeted Saturday after Biden emerged as the victor in the presidential race: "This is great for American competitiveness. While there's nothing magical Biden can do, that's the point. Businesses need market stability, global trade relations that don't change on a whim, talent from everywhere, long-range planning, and a lack of constant distractions."

China's economy, one of the fastest-growing in the world, has become too large for the U.S. to ignore. And a move away from free trade, a stance that is shared across the political aisle, presents a challenge for companies whose only source for products is China.

"Moving away from China would be bad for brides in the U.S., and it would be bad for us," said Calley Means, a co-founder of the online dress company Anomalie. His business margins have taken a hit because of tariffs, Means said, because he couldn't change sourcing overnight, given that about 80 percent of the world's Western-style gowns are produced in China.

"What we represent on a micro scale is massive uncertainty and catastrophic ramifications for us and our team in China," Means said. "I'm not feeling more optimistic on the China front, because no one is having that conversation. We have a disquieting bipartisan consensus that seems to be soft anti-trade sentiment on both sides."

Some retailers who couldn't move production outside China swallowed the cost of tariffs before sending it along to consumers, said Erin George, a managing director with Boston Consulting Group. With some products, companies adjusted the thickness of tabletops or removed decorative elements to keep consumer prices low, George said. In other cases, they stopped selling certain products altogether if the cost of manufacturing outweighed profits.

"Retailers are always thinking about ways to profitability and tariffs," she said. "Retailers pulled a lot of the levers that they had to pull in their toolkit."

China makes up more than a quarter of the world's manufacturing output, according to the U.N. Industrial Development Organization. For the U.S., total withdrawal from China would be a tall order.

China dominates in electronics and certain subcomponents of electronics that can't easily be manufactured by other countries that don't have the infrastructure to produce them, said Michael McAdoo, a partner with Boston Consulting Group. China is also strong in fleece production, but Vietnam, Turkey and India dominate in other textiles, such as cotton or polyester.

"There may be selective relief in certain categories," McAdoo said. "But I wouldn't suggest day one there will be a magic wand and all this goes away."

Source: nbcnews.com– Nov 12, 2020

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Global cotton prices increased in October: Cotton Inc

All international benchmark cotton prices increased over the past month, according to 'Cotton Market Fundamentals & Price Outlook' released this week by Cotton Incorporated.

The NY December futures contract climbed from 67 to as high as 72 cents/lb near the end of October. Cotlook's A Index rose from 73 to 76 cents/lb over the past month.

In international terms, the China Cotton Index (CC Index 3128B) increased from 88 to 100 cents/lb. In domestic terms, values rose from 12,900 to 14,500 RMB/ton. The RMB strengthened against the dollar, from 6.74 to 6.57 RMB/USD.

Indian cotton prices (Shankar-6 quality) increased from 66 to 69 cents/lb in international terms. In domestic terms, values increased from 37,900 to 40,200 INR/candy. The Indian rupee weakened against the USD from 73.2 to 74.2 INR/USD.

In international terms, Pakistani cotton prices increased from 69 to 74 cents/lb. In domestic terms, prices climbed from 9,400 to 9,700 PKR/maund. The Pakistani rupee strengthened against the dollar, from 164 to 159 PKR/USD.

The largest increase in prices over the past month was in China. A portion of the gains in Chinese prices has been attributed to speculative forces. However, speculators make trades for a reason, and a range of potential explanations have been offered. These include multiple concerns centred on the availability of high-quality fibre to Chinese mills.

The weather in Xinjiang posed challenges to the domestic harvest. An unofficial ban on Australian fibre may limit access to quality cotton from that country.

In addition, the US crop suffered a series of hurricanes that passed over a lot of acres with exposed bolls. This is expected to impact US fibre quality, but the extent of that damage will not be known until the cotton has been pulled from fields and run through classing.

Beyond quality-related concerns, the outlook for trade-related demand has also improved for a range of reasons, the report said. In the near-term, one of them is the impending closure of the window for shipments to China to be completed using 2020 quota allocations. Compounding the incentive to use quota is the current separation between Chinese and international prices, making imports a more profitable option.

There is also the Phase One deal. The USDA and the US Office of the Trade Representative released an update on agricultural trade in late October. The report indicated that in bale terms, the US cotton commitment to China is twice the volume from a year ago (3.6 million bales contracted for delivery in 2020-21, compared to 1.8 million bales were contracted for 2019-20 delivery one year ago).

Outside China, another contributor to import demand is the difficulty suffered by the Pakistani crop this season. The current forecast for the Pakistani harvest is 5.0 million bales. This is less than half the volume harvested as recently as 2014-15 and ranks as the smallest harvest since 1984-85. As a result, Pakistani imports are predicted to set a record in 2020-21 (4.3 million bales).

Collectively, the issues associated with production and international trade could be considered sources of support for prices. However, these factors have to be balanced against the context of global stocks. With COVID-19 and its effects on demand last crop year, the world made the second-largest addition to stocks on record.

Even with the slight downward trend in global harvest estimates in recent months, projections for this crop year's production still call for another surplus (+2.1 million bales). At the end of the 2020-21 season, warehoused supplies are forecast to be over 100 million bales and rank as the second-highest volume on record.

Source: fibre2fashion.com– Nov 12, 2020

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Apparel trade begins to show recovery from COVID-19: USDA

Recent apparel trade data (chapters 61 and 62 of HS code) reveal both the global impact of COVID-19 and signs of the sector's recovery, according to the US department of agriculture (USDA).

China's recovery is faster than in any other countries. However, the speed of recovery in consumer demand is uncertain, and the impact of working remotely is not known.

"Consumer demand was impacted on multiple fronts – changing behaviour, lockdown restrictions, and rapid unemployment which reduced discretionary income.

Global apparel imports dropped dramatically in April and May, with US imports for May down 55 per cent from the previous year. EU and UK imports were down over 40 per cent, while Japan fell 30 per cent in the same period," the Foreign Agricultural Service of the USDA said in its November 2020 report 'Cotton: World Markets and Trade'.

The decline in textile and garment exports was felt in all major markets, but not equally. Exports from Bangladesh and India fell by 85 and 90 per cent respectively, while shipments from Pakistan, Turkey, and the European Union witnessed 60-per cent declines. Vietnam textile and garment exports fell roughly 30 per cent, the USDA report said.

The impacts of COVID-19 hit both demand and supply at the same time. Lockdown restrictions slowed consumer spending while also halting cotton-related processing. Spinning mills' operating rates in India, Pakistan, and the United States fell over 90 per cent, while declines were slightly lower in China. Similar to the export data, Vietnam's operating rate declined by only 30 per cent.

Recovery in the spinning sector has also been uneven – COVID-19 first impacted China and coincided with the Chinese New Year holiday. China's recovery is faster than in many other countries, with operating rates returning to near pre-COVID-19 levels in 3 to 4 months, with other countries' rates still below pre-COVID-19 levels after 6 months. While the rapid shutdown of spinning mills somewhat limited the buildup in yarn and fabric inventories, cotton stocks expanded rapidly.

"When COVID-19 emerged, most of the 2019-20 crop was harvested and the current year's planting had begun. Expectations for 2020-21 world production have declined only slightly since February; however, global consumption is a different story.

Comparing November's global consumption to the February USDA Outlook, 2019-20 use is 17 million bales lower (14 per cent) and the 2020-21 forecast is 7 million bales lower (6 per cent). As a result, 2020-21 global cotton ending stocks are now forecast 22 million bales higher (22 per cent) than at the Outlook Forum," the report said.

However, the speed of recovery in consumer demand is uncertain, since recent apparel imports include deferred demand as consumers made purchases that were initially delayed.

Moreover, some demand that was lost, such as school uniforms, 2020 summer and vacation clothing, hotel use of cotton bed sheets and towels, and other seasonal clothing items, may never be recovered. Further, the long-term impacts of remote work on workplace and school attire purchases remain unknown, the USDA said.

Source: fibre2fashion.com - Nov 12, 2020

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US imports set new peak season record ahead of holidays

US imports likely saw their busiest "peak season" on record this summer and fall as retailers replenished inventories and stocked up for the holiday season, according to the monthly Global Port Tracker report From July through October, US ports covered an estimated 8.1 million Twenty-Foot Equivalent Units (TEU), up 6.1 per cent year-over-year.

July-October is the peak shipping season when US retailers rush to bring in merchandise for the winter holidays each year. US ports covered by Global Port Tracker handled an estimated 8.1 million TEU during the four-month period this year, said the report released by the National Retail Federation and Hackett Associates. While subject to revision once October numbers become final, that would be an increase of 6.1 per cent over last year and would beat the previous record of 7.7 million TEU set in 2018.

The peak season record includes a record 2.11 million TEU imported in September, the latest month for which after-the-fact numbers are available. That was a 12.5 per cent year-over-year increase and 0.1 per cent higher than August's previous record of 2.1 million TEU for the largest number of containers imported in a single month since NRF began tracking imports in 2002.

October imports were estimated at 2 million TEU, up 6.5 per cent year-over-year and the fourth-highest month on record. With most holiday merchandise already in the country, November is forecast at 1.7 million TEU, up 0.2 per cent year-over-year, and December is forecast at 1.58 million TEU, down 8.2 per cent from last year.

"Peak season is the Superbowl of the supply chain world each year as retailers make sure they have enough merchandise on hand to satisfy demand during the holidays, and this is the busiest we've ever seen," NRF vice president for Supply Chain and Customs Policy Jonathan Gold said. "Part of this surge was fuelled by restocking after retail sales rebounded this summer and part could be making sure there aren't shortages if we see panic buying again. The economic challenges of the pandemic aren't over yet, but this clearly shows how an industry that has been under stress is fighting back in a positive way. Retailers don't import merchandise they don't think they can sell, so this is a good sign for the holiday season."

"As we near the end of a difficult year in terms of health, trade and politics, we have witnessed record-breaking statistics that have been virtually unpredictable," Hackett Associates founder Ben Hackett said. "Imports hit all-time highs this summer and online shopping did the same. Whether similar patterns will continue in the coming months will be influenced to a large extent by the coronavirus pandemic and whether it will be brought under control by the arrival of expected vaccines next year."

Despite the new monthly records, 2020 is expected to total 20.9 million TEU, a drop of 3.4 per cent from last year and the lowest annual total since 20.5 million TEU in 2017. The first half of 2020 totalled 9.5 million TEU, down 10.1 per cent from last year.

January 2021 is forecast at 1.75 million TEU, down 3.7 per cent from January 2020; February at 1.52 million TEU, up 0.9 per cent year-over-year, and March at 1.59 million TEU, up 15.7 per cent from March 2020 – the month the pandemic first fully hit the United States while factories in China remained closed by the pandemic there.

Source: fibre2fashion.com - Nov 12, 2020

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Indonesia hit by recession For 1st time in 2 decades

For the first time in two decades, Indonesia has been hit by recession due to the coronavirus pandemic-induced economic crisis. Southeast Asia's largest economy's real gross domestic product (GDP) fell by 3.49 per cent in the three months ended September from a year earlier, according to the latest statistics. The slowdown follows a 5.32 per cent contraction in the previous quarter.

Two consecutive quarters of negative growth imply a recession. President Joko Widodo had said earlier that he expected third-quarter GDP to contract by more than 3 per cent.

Since the Asian financial crisis of the late 1990s, the country had recorded five consecutive quarters of negative GDP growth from the first quarter of 1998 till the first quarter of 1999, according to data from the Organisation for Economic Cooperation and Development (OECD).

Household consumption, which makes up over half of Indonesia's GDP, contracted by 4.04 per cent year on year (YoY), after a steeper 5.52 per cent fall in the previous quarter. On a quarterly basis, Indonesia's GDP grew by 5.05 per cent in the July-September period, recovering from a 4.19 per cent contraction.

Economists had initially forecast a stronger recovery in the three months ended September, but had to revise estimates after the country tightened restrictions as COVID-19 cases increased. Finance minister Sri Mulyani Indrawati recently said "the worst is over" for Indonesia's economy, according to media reports from the country.

The country has also witnessed protests on the controversial omnibus law, which the president signed into force recently. The law seeks to reduce red tape to increase investment. While Widodo sees the law as crucial to reigniting economic growth and jobs, labour unions, students and Islamic organisations have raised concerns about the law, which they say damages workers' rights.

As of August, more than 2 million people have lost their jobs in the country because of the pandemic.

Source: fibre2fashion.com - Nov 13, 2020

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Turkey's textile exports reach $1bilion in October 2020

Turkey's textile exports increased by 14.7 per cent in October 2020 compared to the same month of the previous year and by 9 per cent compared to September 2020, reaching a value of $1 billion. As per a Textile Intelligence report, from January-October 2020, Turkey's textile exports decreased by 6.9 per cent to reached a value of $7.7 billion. Its overall exports increased by 5.6 per cent in October to $17.3 billion.

In October, the highest export market for Turkey's textiles and raw materials was the group of 28 EU countries. Compared to October 2019, textile exports to these countries increased by 18.7 per cent to reach a value of $525 million. However, from January-October 2020, these exports declined by 5 per cent to $4 billion. Turkey's exports to the Former Eastern Bloc Countries increased by 0.4 per cent in the first 10 months of the year to reach $863 million. Exports to these countries increased by 17.2 per cent on the basis of October alone and reached $860 million.

Exports to other European countries increased by 21.5 per cent to $74 million compared to last year, while exports to the Turkic Republics increase by 1.9 per cent to $257 million In January – October period, there were export losses in African countries, Middle East countries, Asian and Oceania countries, American countries and free zones.

Germany continued to be the largest market with a share of 9.5 per cent. Exports to this country increased by 16.2 per cent in October and by 4.8 per cent in the January-October period. Germany was followed by Italy with 7.8 per cent, the US with 6.5 per cent, England with 5 per cent and Bulgaria with 3.8 per cent.

Source: fashionatingworld.com - Nov 12, 2020

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US disappointed over EU countermeasures against exports

The European Commission's regulation increasing tariffs on US exports to the European Union (EU) worth $4 billion will be soon published. The countermeasures, which took effect from November 10, have been agreed to by EU member states as the United States has not yet provided the basis for a negotiated settlement. The United States expressed disappointed over the EU action.

The World Trade Organisation (WTO) formally authorised the EU on October 26 to take such countermeasures against illegal US subsidies to aircraft maker Boeing.

The European Commission stands ready to work with the US to settle this dispute and also to agree on long-term disciplines on aircraft subsidies, the Commission said in a press release.

The countermeasures bring the EU equal footing with the US, with sizeable tariffs on each side based on two WTO decisions related to aircraft subsidies. They include additional tariffs of 15 per cent on aircraft as well as additional tariffs of 25 per cent on a range of agricultural and industrial products imported from the United States, thereby strictly mirroring the countermeasures imposed by the United States in the context of the WTO case on subsidies to Airbus, the press release from the European side said.

“The United States is disappointed by the action taken by the EU today. The alleged subsidy to Boeing was repealed seven months ago. The EU has long proclaimed its commitment to following WTO rules, but today’s announcement shows they do so only when convenient to them,” US Trade Representative (USTR) Robert E Lighthizer said in a statement.

The Office of the USTR is in negotiations with the EU with the hope of resolving this longstanding dispute relating to large civil aircraft.

In March 2019, WTO’s Appellate Body confirmed that the United States had not taken appropriate action to comply with WTO rules on subsidies, despite the previous rulings. Instead, it continued its illegal support of its aircraft manufacturer Boeing to the detriment of Airbus, the European aerospace industry and its many workers.

In its ruling, the Appellate Body confirmed that the Washington State tax programme continues to be a central part of the US ‘unlawful subsidisation’ of Boeing and found that a number of ongoing instruments, including certain NASA and US Department of Defence procurement contracts, constitute subsidies that may cause economic harm to Airbus; and confirmed that Boeing continues to benefit from an illegal US tax concession that supports exports (the Foreign Sales Corporation and Extraterritorial Income Exclusion).

In a parallel case on Airbus, the WTO allowed the United States in October 2019 to take countermeasures against European exports worth up to $7.5 billion. This award was based on an Appellate Body decision of 2018 that had found that the EU and its member states had not fully complied with the previous WTO rulings with regard to Repayable Launch Investment for the A350 and A380 programmes. The United States imposed these additional tariffs on October 18, 2019.

Source: fibre2fashion.com - Nov 12, 2020

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Morocco boosts industrial investments with 17 agreements

Part of Morocco’s efforts to upgrade the industrial sector, impacted by the coronavirus pandemic, 17 investment agreements, worth $93.6 million, were signed in Rabat Wednesday.

The signing of the agreements relating to several sectors took place under the chairmanship of Minister of Industry and Trade Moulay Hafid Elalamy who described these agreements as an “important” project.

“The goal is to create jobs, to avoid imports paid in foreign currency, and gain independence,” he said.

Elalamy emphasized that Morocco’s imports amount to 183 billion dirhams ($20 billion) per year and that his department “initially identified 34 billion dirhams which are substitutable.”

Eight of the agreements, worth $67.7 million, will realize investment projects in the agri-food sector.

The agreements will generate 1,630 new jobs and an additional turnover of some $99.8 million by 2023. The projects concern the establishment of industrial agri-food production units, mainly in the fishing sector, dairy industry, confectionery-biscuit-chocolate industry, and citrus fruits and vegetables processing.

The minister also chaired the signing of four memoranda of understanding (MoU) and two agreements in the textile and leather sector with an investment of $24 million. The investments seek to create manufacturing units for products including clothing fabric and geotextiles, cleaning products made from non-woven fabrics, and sewing thread.

The projects are expected to create 1,350 new jobs and generate a turnover of about $38.8 million.

The ministry also announced the signing of three agreements in the industrial sectors of plastics processing, packaging, and plasticulture, as well as electrical and electronics, worth $1.9 million.

The agreements seek to create a manufacturing unit for domestic electrical cables, brass fittings and valves, as well as for the production of plastic caps, polyethylene pipes, and tubes and plastic products.

The projects are set to generate 99 new jobs and an additional turnover of $10.1 million. In September, the Ministry of Industry and Trade announced the launch of 100 subsidized investment projects in various sectors, including transport, construction, electronics, textiles, food, mechanics, and metallurgy.

This set of 100 subsidized investment projects is the first of a larger program to launch 500 projects by the fourth quarter of 2021.

To help facilitate investment, the ministry's plan also offers fiscal advantages, including an exemption from the import duty of capital goods, materials, and tools that are part of an investment project exceeding $21.4 million.

Source: northafricapost.com - Nov 12, 2020

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What is Pakistan's cotton demand?

Pakistan is slated to record its slowest season of cotton production in 35 years, with ginneries struggling to achieve output of 6.5 million bales (of 170kg). It appears intuitive that the impact of poor crop performance on textile exports will be determined on pricing of imported cotton. But what exactly is the volume of Pakistan's cotton demand?

Cotton bales are processed into yarn by the spinning industry. Ergo, either a shortfall in domestic production should be fulfilled by increase in imports or lead to fall in yarn production. The latter has certainly not happened (barring Covid-19 related decline in FY20). Between FY10 – FY19, domestic yarn production increased by one-fourth, an increase that is corroborated by various private and public sector sources, including APTMA, PBS, PCCC and MoIP.

Meanwhile, while cotton imports have increased, they haven't increased nearly fast enough to keep pace with falling domestic output. Recall that as recently as FY15, Pakistan was producing 13-14 million bales of cotton annually, while importing 1.5 million bales on average to fill the supply gap. Output has since fallen to average 9 million bales, yet imports have increased by a million bales only.

In fact, between FY05 – FY14, domestic availability of cotton (production + net imports) averaged at 15 million bales; by FY19, this has since fallen to 12 million bales. Meanwhile, yarn production has continued to increase, as if falling cotton supply has had no effect.

Interestingly, domestic cotton consumption statistics supplied various official and non-official sources corroborate this tale. While cotton consumption estimates wildly vary between Economic Survey, Textile Commissioners Organization (& Karachi Cotton Exchange), and US Department of Agriculture, each indicates a stable but upward trend in consumption (except for the Survey, explained below). But what is the correlation between yarn and cotton production?

To understand that, we must dig into the source of Pakistan's yarn production statistics. According to Ministry of Industries & Production, the high-powered monthly cotton yarn production figures are reported by 408 yarn producing units (spinning factories), collated by Textile Commissioners Organization (a dept. under MoIP).

These are the same figures that are later reported in the Large-Scale Manufacturing Index by the Pakistan Bureau of Statistics, and then feed into Annual Economic Survey published by Q-block. Pakistan Central Cotton Committee (a body under MNFS&R) also reports the same number, as does APTMA – the heart, and you guessed it – ultimate source of - Pakistan's yarn statistics supplied to TCO.

Why is this important? Because the annual cotton consumption figures as reported by KCA and TCO seem to mirror the annual yarn production statistics very neatly. Dig deeper, and it becomes clear that KCA and TCO apply an output-input ratio of 1.25:1 to yarn produced for every unit of cotton consumed; i.e., each ton of cotton is processed into 1.25 tons of yarn.

Dig even deeper, and one discovers that prior to FY10, that ratio averaged at 1.10 times, and varied more frequently from year to year. And that neat estimate explains why APTMA members are able to spin more yarn post-2015, than they did before, despite reduction in availability of cotton. This estimate also explains why cotton consumption as reported by the Economic Survey underwent a correction post 2015.

It is unclear why the ratio was revised. On one hand, according to APTMA, production of coarse count yarn has decreased, while share of medium-, fine-, and superfine- counts (that require more cotton) is improving. Meanwhile, share of blended yarn (poly-viscose, and poly-cotton) hasn't increased nearly fast enough to account for the difference.

Is Pakistan producing more lower quality yarn than in the past? Does lower quality yarn result in weaker ability to command pricing power for textile value-adds? Is the cotton-to-yarn ratio applied retrospectively to extrapolate an 'acceptable' yarn production figure? Is the 'missing cotton' explained by under reported sales by ginneries to spinners? More research is required to answer these questions.

Source: brecorder.com– Nov 12, 2020

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NATIONAL NEWS

Government approves MEIS allocation till December 2020

The Central Board of Indirect Taxes and Customs Thursday approved allocation of Rs 39,097 crore for FY 2019-20 and Rs 15,555 crore for April-December 2020 for benefits under merchandise exports incentive scheme (MEIS).

CBIC issued an office memorandum to the effect, which also said that the Director General of Foreign Trade should limit the issuance of scrips till Rs 16,000 crore for FY 2020-21.

"It is to inform that the competent authority has approved the allocation of amount of Rs 39,097 crore for MEIS benefits for exports made during FY 2019-20.

Further allocation totaling Rs 15,555 crore for MEIS benefits for exports made during the period, April 1, 2020 to December 31, 2020 is conveyed with the approval of the competent authority," the drawback division of CBIC said Thursday.

MEIS provides duty benefits depending on product and country. Rewards under the scheme are payable as percentage of realised free-on-board value (of 2%, 3% and 5%) and the MEIS duty credit scrip can be transferred or used for payment of a number of duties including the basic customs duty. The government's outgo under MEIS was Rs 45,000 crore in 2019-20.

The government has already capped the benefits under it to Rs 2 crore per exporter from September 1-December 31, 2020.

"It is suggested to limit the issuance of MEIS duty scripts in this financial year. Accordingly, DGFT is requested to issue MEIS scripts, up to a total value of Rs 16,000 crore in FY 2021. Issuance of remaining scripts may be spread over the subsequent financial year and appropriate mechanism," the drawback division added.

DGFT had put MEIS registrations of exporters on hold in mid-2020 as the allocations were not released by the finance ministry.

India has decided to stop MEIS by the end of 2020 as the scheme has been challenged at the World Trade Organization for allegedly distorting global trade in favour of Indian exporters.

The production linked incentive scheme has replaced MEIS after Cabinet approved it on Wednesday.

Source: economictimes.com– Nov 12, 2020

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Govt calls for inputs on new Foreign Trade Policy

Will be implemented from next fiscal

The Commerce & Industry Ministry has called for suggestions from all stakeholders on the new five-year foreign trade policy to be implemented from the next fiscal as the one-year extension for the existing policy will expire on March 31, 2021.

The call for inputs for the new FTP comes at a time when exports in the first week of November posted a high growth of 22.5 per cent to $6.75 billion, as per figures tweeted by Commerce & Industry Minister Piyush Goyal, raising hopes of a bounce-back following an overall decline in exports so far this fiscal.

A time-limit of 15 days has been given to export promotion councils and various trade bodies to give their inputs, as per a trade notice issued by the Directorate General of Foreign Trade on Thursday.

“The Foreign Trade Policy (2015-2020) was extended for a year till March 31 2021. In order to prepare a new five year Foreign Trade Policy, suggestions/inputs are invited from various stakeholders,” the trade notice stated.

"With expectations of new FTP being introduced, industry players would expect continuation of similar or higher magnitude of benefits that are currently there on export of goods and services, especially benefits under the current MEIS (Merchandise Export from India) and SEIS (Services Export from India) schemes.

Also procedural simplification for schemes like Advance Authorisation and EOU would be looked forward to," said Abhishek Jain, Tax Partner, EY.

India's exports during April-October 2020-21 were worth $150.07 billion, registering a decline of 19.05 per cent over the same period last year, as per early estimates released by the Commerce & Industry Minister this month.

Source: thehindubusinessline.com– Nov 12, 2020

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FM announces new employment generation scheme

Finance Minister Nirmala Sitharaman on Thursday announced a new job creation scheme by giving subsidy to those establishments that make new hires.

The subsidy would be to cover for retirement fund contributions by employees as well as employers for two years, she said.

Employees contribution (12 per cent of wages) and employer's contribution (12 per cent of wages) totalling 24 per cent of wages would be given to establishments for two years, she said.

Under the Aatmanirbhar Bharat Rozgar Yojana, every Employees' Provident Fund Organisation (EPFO) registered establishment taking new employees would get this subsidy.

The scheme will cover any new employee joining employment in EPFO-registered establishment on monthly wages less than ₹15,000.

It would also cover EPF members drawing monthly wages of less than ₹15,000, who made an exit from employment during Covid-19 pandemic from March 1, 2020 and is employed on or after October 1, 2020.

The scheme would cover establishments registered with EPFO if they add new employees compared to the reference base of employees as in September 2020.

The condition would be adding a minimum of two new employees for establishments with up to 50 employees. Those establishments with more than 50 employees, would have to give a minimum of five new jobs.

The scheme would be operational till June 30, 2021.

Source: thehindubusinessline.com– Nov 12, 2020

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Textile products prices have gained traction in October: Ind-Ra

Exporters have shut down their production facilities due to the lockdown

The India Ratings and Research (Ind-Ra) in its credit news digest has said that the textile products prices have gained traction in October, with a gradual ecovery in demand on account of the festive season and pandemic unlocking.

While cotton prices continued to gain by 2 per cent to 4 per cent month-on-month in October on account of the demand from the casual wear, knitted and home textile segments. But they were lower by about 5 per cent year-on-year basis, Ind-Ra said.

The rating agency pointed out that with USDA-FAS estimating a steady cotton production for the current season, it would lead to an oversupply in the domestic market, impacting prices further. However, Cotton Corporation of India had taken steps to liquidate its inventory during July-September, which would help in a substantially lower inventory.

Cotton yarn prices continued their recovery in October and remained stronger than blended yarn prices, on account of higher demand from export markets.

Also, large cotton spinners who have purchased prior to COVID have written-down inventory losses during Q2FY21, which may have impacted the H1FY21 operating margins. The smaller spinners, having lower cotton inventory and exposure into knitted casual wear reported a stellar performance in Q2FY21 over woven and blended segments, the rating agency added.

Source: thehindubusinessline.com– Nov 12, 2020

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FinMin allocates Rs 39,097 croe for MEIS benefits for 2019-20; Rs 15,555 crore for Apr-Dec 2020

Giving relief to exporters, the finance ministry has approved allocation of Rs 39,097 crore under the incentive scheme MEIS for exports during 2019-20, according to an office memorandum.

A total of Rs 15,555 crore was also allocated for MEIS (Merchandise Exports from India Scheme) benefits for exports made during the period April 1, 2020 to December 31, 2020, the office memorandum of the Department of Revenue said.

It added that keeping in mind the “ongoing stress on Customs revenues”, it is suggested to limit the issuance of MEIS duty credit scrips in this financial year. Accordingly, the Director General of Foreign Trade (DGFT) is requested to issue the scrips up to a total value of Rs 16,000 crore in 2020-21.

Issuance of remaining scrips may be spread over the subsequent financial years through an appropriate mechanism, it said. “It is to inform that the competent authority has approved the allocation of an amount of Rs 39,097 crore for MEIS benefits for exports made during 2019-20.

“Further, allocation totaling Rs 15,555 crore for MEIS benefits for exports made during the period April 1, 2020 to December 31, 2020 is conveyed with the approval of the competent authority,” it said.

It also asked to ensure that these allocations are utilised for issuance of duty scrips only for exports made during the respective periods, that is, Rs 39,097 crore for 2019-20, Rs 10,555 crore for the period April 1, 2020 to August 31, 2020 and Rs 5,000 crore for the period September 1, 2020 to December 31, 2020.

“To ensure that MEIS allocations for 2019-20 and for 2020-21 (April-December, 2020) are not exceeded, DGFT should review the MEIS outgo periodically and share scrip issuance data on a regular basis with this department,” it added.

Under MEIS, the government provides duty benefits depending on product and country. Rewards under the scheme are payable as a percentage of realised free-on-board value and MEIS duty credit scrip can be transferred or used for payment of a number of duties, including the basic customs duty.

The MEIS, introduced in April 2015, will be wound up by December 31, 2020. The government has already announced the Remission of Duty or Taxes on Export Products (RoDTEP) scheme to replace MEIS. Under RoDTEP, the remission of embedded taxes and other levies on exports shall be allowed.

Hailing the allocations, Federation of Indian Export Organisations (FIEO) said "this has come as a major relief to liquidity hit exporters particularly from MSME. Quick release will ease out the interest burden on exporters who borrowed due to stuck up of MEIS benefits."

Source: financialexpress.com– Nov 12, 2020

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Enhancing connectivity with ASEAN a major priority for India: PM Modi

Prime Minister Narendra Modi on Thursday said enhancing all kinds of connectivity, including in social, digital and financial spheres, with the 10-nation ASEAN grouping is a major priority for India.

He made the remarks at a virtual summit between India and the ASEAN. "We believe a cohesive and responsive ASEAN is needed for security and growth for all in the region," Modi said. He also said that there are many similarities between India's 'Indo Pacific Oceans Initiative' and ASEAN's 'Outlook on Indo Pacific'

"Enhancing every type of connectivity between India and ASEAN -- physical, economic, social, digital, financial, maritime -- is a major priority for us. In the last few years, we have come close to all these areas," he said.

The Association of Southeast Asian Nations (ASEAN) is considered one of the most influential groupings in the region, and India and several other countries including the US, China, Japan and Australia are its dialogue partners.

The summit is taking place amid China's aggressive behaviour in the disputed South China Sea as well as in eastern Ladakh. A number of ASEAN countries have territorial disputes with China in the South China Sea.

The 10 member countries of ASEAN are Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar and Cambodia.

The ties between India and ASEAN have been on an upswing in the last few years with focus being on ramping up cooperation in the areas of trade and investment as well as security and defence.

The ASEAN region along with India together comprises a combined population of 1.85 billion people, which is one fourth of the global population and their combined GDP has been estimated at over $3.8 trillion.

Source: thehindubusinessline.com– Nov 12, 2020

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Russia eyes $30-billion annual trade with India by 2025

India and Russia are aiming to achieve $30 billion in annual bilateral trade by 2025. The trade between the two countries stood at close to $10 billion in 2019.

Russian deputy chief of mission Roman Babushkin told FE, "The FTA between India and Eurasian Union is a priority project for all of us and we are moving towards the early conclusion of the agreement."

"Indian partners show growing engagement in the Russian Far East oil and gas, coking coal, diamonds, innovation, infrastructure, civil aviation, ship-building and other projects as well.

Both countries are working to expand regional connectivity through the North-South Transport Corridor, Vladivostok-Chennai Maritime Sea Route, space, AI, information security partnership, use of national currencies in international trade and ensure interconnection of national payment systems," Babushkin said.

Touching on defence, a main pillar of the India-Russian engagement, Babushkin said Russia is aiming to ensure a largest participation in the Air-India 2021 in Bengaluru, which will also see big developments in the defence cooperation. Under the current programme of cooperation, which is due to expand for next 10 years, the S-400 Air

Defence Systems contract is one of the most important ones with $54 billion worth first batch expected to come by the end of 2021. Under the AK-203 contract, more than 7 lakh items is to be produced as part of the Indo-Russian Rifles JV in India, in the $2-billion Ka-226 helicopter project, 140 out of 200 machines will be produced in India with maximum possible level of localisation and that is at the final stages of consideration.

Russia and India are also eyeing an early implementation of the spare parts joint production agreement which also fits well in Make in India and Atmanirbhar Bharat programmes.

Source: financialexpress.com– Nov 13, 2020

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Industrial production grows 0.2% in September; enters positive territory after 6 months

Industrial production entered positive territory after a gap of six months, mainly due to higher output in mining and power sectors, official data showed on Thursday. The industrial output grew by 0.2 per cent in September, according to the Index of Industrial Production (IIP) data.

The manufacturing sector – which constitutes 77.63 per cent of the index – recorded a marginal contraction of 0.6 per cent in September. The output of mining and power segments grew at 1.4 per cent and 4.9 per cent, respectively. The IIP had contracted by 4.6 per cent in September 2019.

The industrial production had witnessed a 5.2 per cent growth in February this year. Thereafter it recorded a contraction of 18.7 per cent in March, (-) 57.3 per cent in April, (-) 33.4 in May, (-) 16.6 in June and (-) 10.8 in July this year. Meanwhile, the contraction in IIP for August has been revised to (-) 7.4 per cent from the (-) 8 per cent provisional data released last month.

The government had imposed a lockdown to contain the spread of COVID-19 infections on March 25 this year. With the gradual relaxation of restrictions, there has been a relative improvement in the economic activities by varying degrees as well as in data reporting, the Ministry of Statistics and Programme Implementation said in a statement. It may not be appropriate to compare the IIP in the post-pandemic months with the IIP for months preceding the COVID-19 pandemic, it added.

The manufacturing sector had recorded a decline of 4.3 per cent in September last year. Similarly, the mining sector output fell 8.6 per cent in September 2019. Power generation also shrank by 2.6 per cent a year ago. The output of capital goods, which is a barometer of investment, fell by 3.3 per cent in September as against a contraction of 20.5 per cent earlier. Consumer durables output grew by 2.8 per cent, as against a contraction of 10.5 per cent in September 2019.

Consumer non-durable goods production grew by 4.1 per cent, compared to a contraction of 1.1 per cent a year ago. The IIP for the April-September period has contracted by 21.1 per cent, according to the data. It had registered a growth of 1.3 per cent during the same period last fiscal.

Source: financialexpress.com– Nov 12, 2020

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Maharashtra's cotton crop wilts on increasing fungal attacks

Estimates suggest the crop loss at 25% due to grey mildew attacks

Cotton crop in Maharashtra's Vidarbha region, which is already facing pink bollworm (PBW) attack and boll rot, has now fallen prey to the fungal attack of Grey mildew.

Crop losses estimates are still being worked out but the field staff of the State Agriculture Department has estimated that about 50 per cent of the crop has been affected by pathogen attacks.

An official said the grey mildew fungal attack can be severe. In a single season, the crop can get repeatedly attacked by the fungus. Losses can be as high as 25 per cent. After the attack sets in, the leaves of the plant start to shed affecting photosynthesis.

In Maharashtra, the grey mildew is commonly referred to as ‘dahiya’ as the fungus looks like sprinkled curd on the leaves.

Worser than PBW

If the PBW infestation happens in two out of the five sections of a cotton boll, the farmer can still salvage his crop from the other three sections; but boll rot and grey mildew can fully devastate the plant, the official said.

In some districts of Vidarbha, about 10-20 per cent of the crop has been affected by PBW, while boll rot and grey mildew have affected another 15-20 per cent but the numbers may vary, the official said.

The official pointed out that since 2017 the PBW attacks have been in the public eye but for boll rot or grey mildew not enough attention has been paid.

Moisture content

The changing weather pattern and erratic but very heavy rainfall in September and October had increased the moisture content in the air leading to the fungal attacks.

Despite signs of decline in cotton production, there is no heavy rush from the traders to buy the available cotton as the market already has a carry forward stock of over 100 lakh bales (of 170 kg each) from the last season.

In Akot APMC of Akola, the modal price on Tuesday was ₹5,400 per quintal, while the MSP is at ₹5,515. Akot is one of the largest markets for cotton trade in Maharashtra. Senior State Government officials were not available for comments.

Source: thehindubusinessline.com– Nov 12, 2020

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E-invoicing mandatory for companies over Rs 100 crore revenue from January 1, 2021

The Central Board of Indirect Taxes and Customs (CBIC) Wednesday notified that e-invoicing will be mandatory for business to business (B2B) transactions for taxpayers having turnover of over Rs 100 crore from January 1, 2021.

At present, issuing electronic invoices is mandatory for businesses with turnover of Rs 500 crore and more, which has been put into effect from October 1, 2020.

"Aligned to the recent communications by various government officials, e-invoicing has now been notified for Rs 100 crore and above companies as well.

With only approximately 50 more days, these mid size companies would need to soon gear up their processes/ IT systems to enable compliance with this new invoicing regulation," said Abhishek Jain, tax partner at EY.

E-invoicing replaces the physical invoice and will soon replace the existing e-way bill system, and taxpayers will not have to generate separate e-way bills, finance secretary Ajay Bhushan Pandey said last month.

The government expects e-invoicing to have also other major advantages, such as improving the payment cycle for industry and giving boost to invoice-based lending to MSMEs.

The finance secretary had recently told ET that in the first few days, about 8 lakh e-invoices were issued per day. He added that the latest figures were above expectations. Over 69.5 lakh Invoice Reference Numbers (IRNs) generated between October 1 and October 7.

"We had anticipated it to be around 20-21 lakh because it applies only to companies with a turnover of more than Rs 500 crore, covering about 18,000 odd companies. However, e-invoice issuance as of October 30 has been over 29 lakh," he had said.

Source: economictimes.com– Nov 11, 2020

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Coronavirus | Decline in positive cases brings relief to textile traders

Steady decline in COVID-19 cases has come as a big relief to textile traders in Tiruchi as they can carry out their business without any disruption from the authorities.

Sale of textile and ready-made dresses thirty days prior to Deepavali accounts for nearly 25% of the total sale in a year. The Deepavali sale that starts during the puja festival picks up gradually and reaches its peak in the last week prior to the festival day.

There were apprehensions among the traders on whether they would be able to achieve at least 50% of their regular business due to the impact of COVID-19.

A couple of leading textile showrooms on NSB Road in the city had to be closed temporarily for a few weeks in July after some staff members tested positive for COVID-19. The strict safety measures imposed by the State government had also raised doubts on normal business during the festival season.

However, according to sources in the industry, this year's business can not be termed as bad considering the prevailing circumstances in the wake of spread of COVID-19. Most of the traders seem to be doing brisk business, although it is not similar to the volume of business done in previous years.

The biggest relief to textile traders is that not many employees tested positive for the virus during the last one month. If they were tested positive, the showrooms would have been asked to shut their doors for at least a few days.

Steady decline in COVID-19 cases in Tiruchi district too has reinforced the positive sentiments among traders as well as the customers. There were days when the positivity rate was hovering around 10% in the district. It has come down to just around 1%.

The daily count of fresh cases, which was in three digit until a few weeks ago, hovers around 30 to 50 in the last two weeks. It has actually induced the customers to visit commercial streets for Deepavali shopping, say traders.

"It is unfair to set a huge target this year as this is not a normal year. However, we have not done badly and we are content with the sales," says Roshan, Managing Director, Sarathas, Tiruchi.

Though enforcing physical distancing has been a challenge during the festival season, special teams have managed to ensure that customers wear face masks and sanitise their hands with sanitisers, he added.

Source: thehindu.com– Nov 12, 2020

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